

Cash as a Public Good – the Expert View

A couple of weeks ago, *Cash Matters*, the pro-cash movement of the International Currency Association (ICA), published the white paper 'Virtually Irreplaceable – Cash as a Public Infrastructure' by Dr Ursula Dalinghaus, making a case for how and why cash must be understood as a 'public good'.



Ursula Dalinghaus.

Dr Dalinghaus, Visiting Professor of Anthropology at Ripon College, is also an affiliated scholar at the Institute for Money, Technology & Financial Inclusion (IMTFI), University of California at Irvine, which has made itself a name as one of the leading institutes when it comes to the role of money in people's daily lives and practices, and to the best way to go about financial inclusion.

The Director of the IMTFI is Professor Bill Maurer, Fellow of the American Association for the Advancement of Science, Fellow of the Filene Research Institute, Dean of the School of Social Sciences and Professor of Anthropology at the University of California, Irvine. He will also be one of the keynote speakers at the ICA's Global Currency Forum 2020 in Barcelona.



Bill Maurer.

Currency News™ spoke to both to find out more about the work of the IMTFI and the new white paper.

Q: *Professor Maurer, what prompted you to found IMTFI in 2008?*

BM: Big changes were afoot in the world of money and payments in 2008. The global financial crisis, the rise of smart phones, and, in Kenya, the mobile payment service M-Pesa, all focused people's attention, across a range of fields and professional locations, on the intersection of money and new technologies.

We founded IMTFI to bring the perspective of on-the-ground research about the everyday money lives of people around the world, to help researchers, nonprofits and policy makers understand the profound impact that technology was having on people's saving, spending and payment behavior.

We also wanted to ensure that folks in the policy and economic development communities heard the voices of people from the places most impacted by these technological changes. Too often it seemed like international workshops and conferences were attended by the same set of speakers and the same organizations. We wanted to get research funding into the hands of people actually from the countries where things like mobile money deployments were taking place. The idea was to create a global brain trust of new experts on money, technology and financial inclusion.

Q: *What makes IMTFI different from other institutions or university faculties?*

BM: The big difference, which always surprises people in this space, is that we are mainly anthropologists. Even though we have supported many experts from other academic fields over the years – design researchers, computer scientists, or economists – we always try to instill an anthropological sense.

We also provide training in anthropological methods, like ethnographic research, to help them get at what is really going on in people's lives around money and technology. For instance, survey researchers had reported that some people in Kenya were using M-Pesa to pay school fees. Our research found that, sure, they were paying school fees, but often the funds were first routed through coming-of-age rituals and the purchase of livestock as gifts marking stages in the life course. There is so much more going on than what people will tell a (usually foreign) survey researcher.

For another thing, we try our best to maintain an objective perspective on the phenomena we study – we don't come at things with a pre-determined agenda. This sometimes makes people uncomfortable.

Finally, we have made all our findings public – this is a core value that comes from being part of a public research university, but also makes a difference insofar as other organizations and companies often conduct work under nondisclosure or confidentiality agreements.

Q: *What is the main focus of the institute?*

BM: We want to understand how people's diverse interactions with money are being reshaped by new technologies, from new payment platforms to things like artificial intelligence in providing financial advice or in creating alternatives to traditional credit scores.

But, again this is crucial, we focus on the user side of the equation, on people's actual interactions with money and these technologies, down to the level of questions like, where do they keep their money, and why? What does their daily transactional life look like? What are the diverse systems and beliefs that inform their money practices?

We developed the concepts of monetary ecology and monetary repertoires to capture this people-centered approach to money and technology.

Q: *IMTFI was initially funded by the Gates Foundation, major supporters of the Better than Cash Alliance. The IMTFI is neutral when it comes to payments; however, there is an increasing focus on cash. What caused this development?*

BM: We realized pretty quickly that there were a couple of very general things going on, almost everywhere around the world.

First, most of the new mobile money systems in which the Gates Foundation was initially interested as potentially banking the unbanked were in fact serving as payment rails – not as means of saving but as a means of moving money. This made us focus more and more on payment systems as a distinctive area of research.

Second, pretty much universally, we found that new systems were not replacing old ones; they were instead being added into the mix. People would use one payment method for one kind of transaction, and other payment methods for others. But nothing was replacing anything else. I think a lot of people initially thought that things like mobile money would displace cash. Instead, mobile money became a way for people more efficiently to move money and access it in the form of cash.

Q: *Dr Dalinghaus, you just published the study 'Virtually Irreplaceable – Cash as a Public Infrastructure' for Cash Matters. You are a Visiting Professor of Anthropology at Ripon College but kept up your work as an affiliated scholar with IMTFI. What makes working with IMTFI so special?*

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Cash as a Public Good

'Virtually Irreplaceable: Cash as Public Infrastructure' is the second study from *Cash Matters*, the first - 'Keeping Cash – Assessing the Arguments about Cash and Crime' - having been published in September 2017 to general acclaim.

This latest report takes a close look at the role of cash in society, drawing on the IMTFI's expertise in cash and digital monetary technologies and the latest research across policy, industry, and academic sources to highlight the particular qualities of cash that have so far been overlooked in discussions about a future payments landscape.

The paper comes to the following conclusions:

- Cash guarantees ease of use, accessibility, privacy, and many other unique qualities in local, national, and global monetary systems. Cash fulfils both criteria for a public good: it is non-excludable because its function as a means of payment, of transfer of value, works without compensation. And it is non-rivalrous because its use by one person does not preclude its use by another.
- Cash is public – the only form of money not controlled by a private, profit-driven entity. Once in circulation, it is the only form of payment independent of its issuer. It is deployed not to make a profit on its transfer but to support and sustain value transfers free of charge.
- Cash enables personal freedom and self-determination – state-issued physical cash is a distributed public infrastructure that allows citizens and users to create a space outside the state. At the same time, cash acts as a claim upon central banks and, ultimately, states to ensure good governance of monetary and payment systems.
- The materiality of cash is vital to many social practices. The role cash plays in social relationships often hinges on the physical design of cash, such as denomination, which makes cash particularly useful for budgeting, accounting, gifting, or saving.

The report can be downloaded at www.cashmatters.org.

Cash as a Public Good *(Continued)*

UD: One of many aspects that make working with IMTFI so special is being part of a community of research practice that has always prioritized grounded research in the local communities of our researchers.

Over the past decade IMTFI has built up a tremendously rich and incredibly diverse archive of evidence on the multifaceted ways that communities in the global South have integrated new digital and mobile money technologies with traditional monetary practices.

This careful research collected over time has been tremendously important for developing a more systematic understanding of the use cases people see for cash. It is publically accessible in a variety of formats, from blog posts to working papers, and now a new edited volume, 'Money at the Margins: Global Perspectives on Technology, Financial Inclusion'.

IMTFI is also unique in starting with empirical and theoretical insights from the global South to generate new questions for our research on money in more developed markets in the global North (rather than only the other way around, as is so often the case).

For example, insights from the global South have sharpened our understanding of the role that cash denominations play across the globe as a budgeting tool, a means of differentiating the meaning and intent of a money gift, or the importance of national currency denominations as a communicative medium for efforts to promote universal access, equity and inclusion (such as recent redesign proposals of particular banknotes in Canada, Australia, the UK, and the US).

To underscore IMTFI's signature approach, the concepts of monetary ecology and monetary repertoires are extraordinarily productive tools for research and teaching on the user experiences of payments broadly. By drawing attention to the complementarity of payment tools from a user perspective, we can see how cash is a crucial part of practical as well as social transactional worlds and of strategies for risk diversification.

Q: *What is the key takeaway of your white paper on cash as a public good?*

UD: That physical cash will continue to have a vital and complementary role to play alongside digital well into the future, not only as a method of payment but also as a democratizing force – an important form of power-sharing between issuer and user that is distinct from digital-based money.

Cash increasingly gets discussed as a passing form that will eventually be replaced by digital, if not soon, then sometime in the distant future. In contrast, this paper shows that physical cash is irreplaceable.

One reason is that people value the ability to choose from multiple payment forms. Another, even more substantial argument for cash, is that the cash infrastructure serves a vital public role since cash can circulate independently of its issuer and it can work offline.

Evaluating the historical and cross-cultural evidence on how people use physical currency, it is clear that there is something crucial about the materiality of cash as a distributed form, which allows it to be part of such diverse practices, financial, political, and social. Precisely this flexibility is what makes cash indispensable as a public medium that everyone in society can use and access.

However, as this paper also shows, cash as a public good depends upon legal mandate, good governance, guaranteed access, and technological support in maintaining the cash infrastructure as a vital part of wider payment systems.

Q: *What developments in the payments landscape do you see when you draw on IMTFI's field expertise and research on a global level?*

BM: Payments have been going through what we've been calling a 'Cambrian Explosion' for almost a decade now. The Cambrian period in geologic time was characterized by an amazing proliferation of different forms of life on planet earth, occupying different niches and with an incredible variety of body forms. We've been in the middle of something similar with payments.

Think about all the new ways to pay that startups and established payment companies have created just in the past few years, from tap and pay cards to biometric-ID secured mobile payments, to Venmo or WeChat Pay. They all use different technologies; they use different interfaces; they often sit on top of different, existing payment rails; or they are trying to build entirely new ones, like some of the developments in the cryptocurrency space.

The big question for us is: what sticks, and what doesn't? Who uses which of these technologies, and for what purposes? How do all of these new things fit into people's existing behaviors around money and payment?

Q: What is your recommendation to banks, politicians and governments when it comes to payments in general and cash in particular?

BM: Above all, they need to realize that there is no one size fits all payment solution. People will always use different technologies for different purposes – Venmo with friends and for the rent, debit cards for groceries, credit cards for more expensive purchases like appliances, PayPal online, etc. etc.

First, there is a virtue in recognizing how people use payment diversity to achieve their different goals.

Second, they have to remember that, unless you use cash, you have to pay to pay, and that sometimes this fact erects high barriers for the poor and underbanked. In many circumstances cash remains the best option. It's the cheapest for the user, it's portable, it's private... Not everyone on the planet is a well-off professional working in a clean office with job security.

We need to design payment for all people, in all kinds of circumstances – some of which will unfortunately become more and more common in the years to come, such as refugees fleeing political violence or environmental devastation caused by climate change.

Policy makers and governments should always ask themselves: what if things go wrong? From a data breach, to massive disruptions in politics and society, to infrastructural or electrical grid failures: how will people pay? How does ensuring a diversity of payment – kind of like biodiversity in ecological systems – ensure human resilience?

UD: In addition to the policy considerations outlined in the paper, I would argue for a more nuanced discussion of payment choice.

When it comes to measuring and collecting data on cash usage and cash in circulation, researchers and policy makers should dig deeper into the data and ask different kinds of questions to better understand and capture payment diversity. Comparing the number and percentage of transactions of different payment methods is important but does not necessarily add up to a definitive statement on a hierarchy of consumer payment preferences, certainly not one that supports an argument for a cashless future.

As Bill has already pointed out, people use different technologies for different purposes, and those purposes may only become apparent through tracking a wider circuit of transactions and practices over time. This dimension of payment method usage is rarely captured in current cash payment studies and is difficult to learn through survey methods alone. Incorporating qualitative data collection tools can help here.

Understanding payment diversity at the micro-level is also relevant for policy making at the level of monetary and fiscal policy. For example, there is growing evidence from a variety of corners that people turn to cash as a means of curtailing growing indebtedness, some of which is the result of fees and costs associated with digital payments.

This is not only important for the poor and underbanked but also, for example, for college and university students burdened with mounting student-loan debt repayments. Ensuring diversity of payment, and the resilience of the cash infrastructure in particular, will be crucial in addressing growing policy concerns about unsustainable debt relations and inequality, which also prevent people from participating in the wider economy.

A related point is that when people hold or use physical cash, there remains a concrete bridge and access point to monetary authorities and state institutions that is important for public accountability. In my research I have observed how physical cash and tangible money objects facilitate communication between central banks and the public on complex policy issues and financial education.

Sharing cash hand-to-hand is a form of knowledge sharing accessible to all, just like a physical book can be shared, borrowed, and passed hand-to-hand to others whereas digital books are often encoded to prevent sharing across users and devices. So while both physical and digital forms promote knowledge sharing, they do so in different ways and with different implications for ownership and access.

Cash is particularly important for people's agency and self-determination because it can be used, shared, and exchanged independently of citizenship status and across jurisdictional boundaries.

Institutional actors should therefore be mindful of how cash is already an effective part of their public mandates while working to ensure greater inclusion, transparency and resilience of financial systems that work better for everyone in society.

MDC 2020 – Call for Papers

A 'Call for Papers' has gone out for the next *Mint Directors Conference (MDC)*, which takes place 26-29 April 2020 in Cape Town, hosted by South African Mint.

The programme will have a specific theme on each of the three days – starting with *Global Challenges*, moving to *New Horizons*, and then debating *Future Opportunities*.

The structure of the programme will be modular, with plenary sessions on each day covering the big issues, streamed sessions focusing on the collector, circulation and bullion markets, and then interactive break-out workshops diving even deeper into specific topics.

Proposals are being invited for presentations in the following areas:

- Collector coins – innovation, legal tender status, designs and trends, creating a successful secondary market
- Bullion – creating an ethical business model, the investment case
- Circulating coins – the note/coin boundary, seigniorage, optimising the denomination mix
- Technology and innovation – materials, design and production, quality control and inspection, processing, authentication, marketing
- Tools and techniques for creating the next generation of coin enthusiast
- Case studies of successful coin campaigns
- Corporate social responsibility – making the industry and its products clean, green and ethically responsible

According to Ross MacDiarmid, CEO of the Royal Australian Mint and General Secretary of the MDC, 'as in industry we are in a period of change – even, some would say, uncertainty. Hence the slogan for MDC 2020 – *Global Challenges, New Horizons, Future Opportunities*.

We will be examining these challenges and their impact on our industry, but also coming together to forge a path for coins in the future – whether as a means of transaction, a store of value, a token of national pride or an investment for future generations.'

The closing date for proposals is 31 October. More information can be found at www.mdc2020southafrica.com